

1979

AR28



Canadian Investment Fund
47th Annual Report



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Canadian Investment Fund, Ltd.

Canada's Original Mutual Fund

Annual Report for the fiscal year ended December 31, 1979

Directors

G. Arnold Hart, M.B.E., *Chairman*
David W. Barr
Hugh Bullock, G.B.E.
Alan Chippindale
Eric L. Hamilton
Howard J. Lang
Paul Paré
Lucien G. Rolland
Ian D. Sinclair
John N. Turner, P.C., Q.C.

Officers

Hugh Bullock, *President*
A. Blaikie Purvis, *Vice-President and Secretary*
Carl J. S. MacCallum, *Vice-President*
Thomas C. Camp, *Vice-President*
Robert A. Bengough, *Treasurer*
Priscilla M. Beaulieu, *Assistant-Secretary*
Karen Vanderzweep, *Assistant-Secretary*

Custodian

The Royal Trust Company, *Toronto*

Transfer Agents

The Royal Trust Company
Vancouver, *Calgary, Regina, Winnipeg,*
Toronto, Montreal, Charlottetown
The Trust Company of New Jersey
Jersey City

Auditors

Price Waterhouse & Co.
Montreal

Supervised by:



Calvin Bullock, Ltd.
Established 1894

Executive Offices

630 Dorchester Blvd. West
Montreal, Canada H3B 1X1

To the Shareholders:

It is with pleasure that we report to shareholders on CIF's 47th year of service to investors in Canada and elsewhere. The net asset value per share of your Fund rose from \$4.97 to \$5.73. Dividends of 28¢ per share were paid during the year, comprised of 5¢ from capital gains and 23¢ from income. Total return for the year was 20.9%. During the past five years since the bottom of the market cycle in 1974, your investment has appreciated by over 86%.

1979 was an exceptionally good year for the Canadian stock market. The broadly based Toronto stock Exchange Composite Index recorded a very substantial 38.4% gain. A more than 100% gain in the oil index led the way, while at the other end of the scale, banks and financial institutions experienced virtually no changes in the prices of their shares. Since the Toronto Index is weighted by groups according to the underlying dollar value of the stocks in that group, as the oils rose they became a larger and therefore more important component of the total index. Had an investor been invested only in oil stocks, he or she would evidently have done extremely well. If that person were invested in bank stocks alone, the results would not have proven as happy, at least for 1979.

We think the extreme divergence of performance trends of various stocks in the past year illustrates the value of a diversified portfolio, such as a carefully run mutual fund provides.

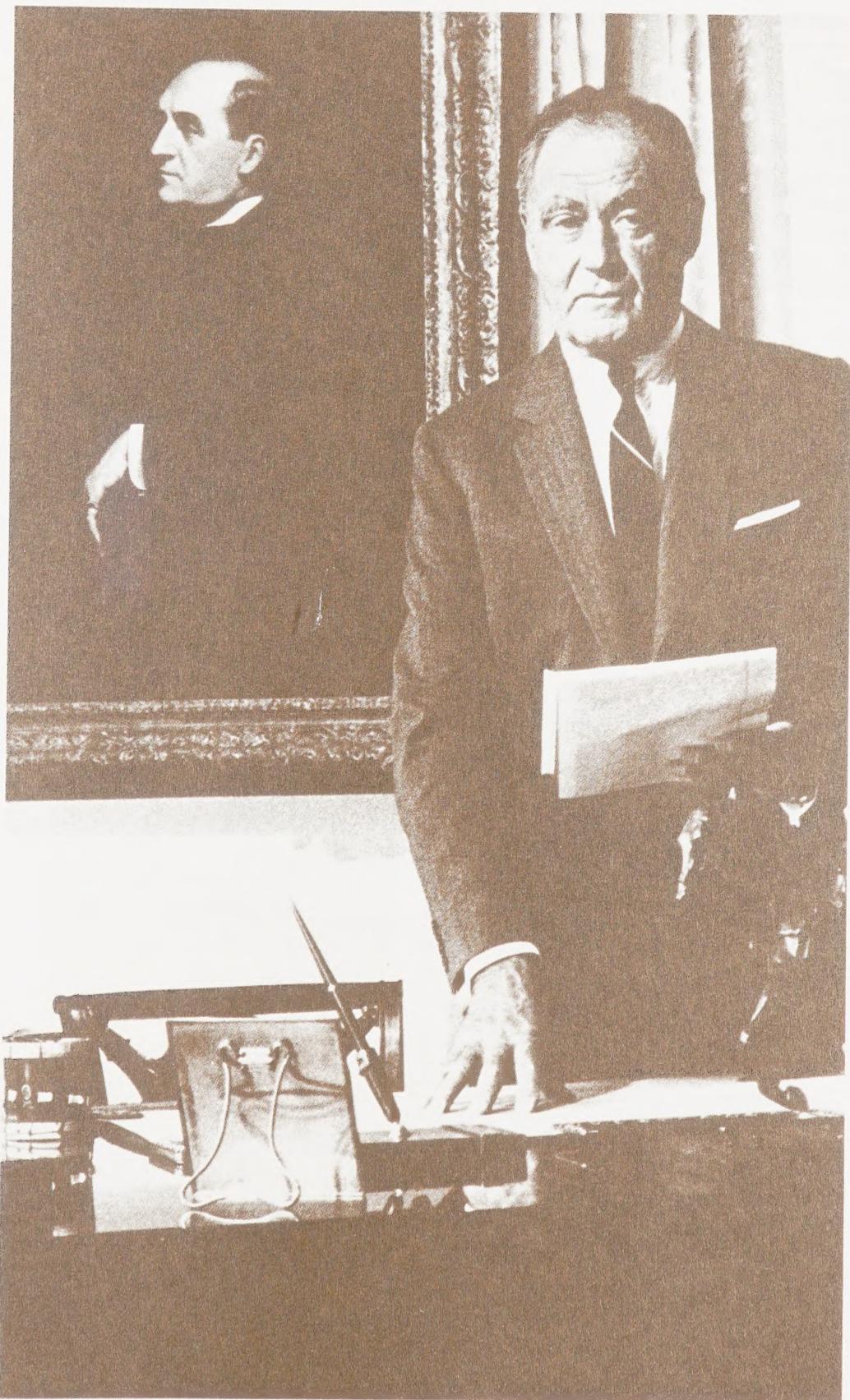
As we enter 1980 the price to earnings ratio of the Canadian stock market is almost the same as a year ago. Consequently stocks have really just risen about the same percent as underlying profits, and on that basis do not in most cases appear overvalued.

The wide range of services that your Company provides to enable investors to meet their various investment objectives are outlined on page 6 of this report. Investment review and economic outlook are discussed elsewhere in this report. Also submitted are audited financial statements which include a statement of investments held on December 31, 1979. The undersigned would be pleased to answer any inquiry the shareholders may have concerning their Company.

By order of the Board of Directors

Hugh Buelock

President



Directors

The Directors of your Company are elected by and represent the shareholders. They receive weekly reports showing portfolio changes, sales and redemptions of shares and other pertinent operating figures. They review portfolio transactions at regular quarterly meetings and also make important contributions to the establishment of investment policy and to portfolio supervision by supplying significant information and opinion to the discussions of world and domestic developments which influence the trend of economic and financial affairs.

The individual directors are also constantly available to the Investment Supervisor to hold discussions and provide opinions concerning their particular fields of business endeavour.

Investment Supervision

Your Company's investments are continuously supervised by Calvin Bullock, Ltd., founded in 1894, the oldest organization in North America specializing in the management of investment companies.

10 Largest Holdings

The continuing policy of CIF is to seek a balance between reasonable income and capital growth. Shown below in order of size are the ten largest holdings with their per share average costs and market values as at December 31, 1979. All quotes in Canadian Funds.

	Average Cost \$	Market Value \$
Hiram Walker	9.80	55.50
Canadian Pacific	14.88	39.25
Moore Corporation	11.15	35.00
Bank of Montreal	12.07	25.00
The Royal Bank of Canada	13.29	42.38
Interprovincial Pipe Line	13.07	19.38
IAC Limited	9.23	11.75
PanCanadian Petroleum	21.77	64.75
Shell Canada	17.72	35.25
International Business Machines	59.31	75.26

The Board of Directors



Chairman
G. Arnold Hart, M.B.E.,
Director and former Chairman and
Chief Executive Officer,
Bank of Montreal



President
Hugh Bullock, G.B.E.,
Chairman and Chief Executive Officer,
Calvin Bullock, Ltd.,
New York



David W. Barr,
Chairman of the Board,
Moore Corporation
Limited



Alan Chippindale,
Former President,
Calvin Bullock, Ltd.,
Montreal. Founding
past President of CMFA



Eric L. Hamilton,
Former Chairman and
Chief Executive Officer,
Canadian Industries
Limited



Howard J. Lang,
Chairman of the Board,
Cantron Inc.



Paul Paré,
Chairman and Chief
Executive Officer,
Imasco Limited



Lucien G. Rolland,
President,
Rolland Inc.



Ian D. Sinclair,
Chairman and Chief
Executive Officer,
Canadian Pacific
Limited



John N. Turner,
P.C., Q.C.,
Partner, McMillan,
Binch

Shareholder Services Designed to Meet Your Investment Objectives

For almost 50 years CIF has been an industry leader in providing various services for its shareholders. One or more of the services outlined below are being utilized by a substantial number of shareholders.

CIF Growth Plan

A plan designed for anyone wishing to make regular periodic contributions in order to build up an investment in CIF and to reinvest dividends. There are no penalties involved if the shareholder does not meet his proposed schedule of contributions.

Automatic Reinvestment of Dividends

Shareholders may instruct their Company to arrange that all dividends declared by CIF be reinvested in additional shares at net asset value, without charge.

CIF Retirement Savings Plan

Those who wish to take advantage of the provisions of the Income Tax Act for building retirement savings in which currently tax-free dividends are reinvested, can use the CIF RSP. It allows individuals in Canada to utilize important current tax savings to provide retirement income.

Calvin Bullock Retirement Income Fund

Under the amended Income Tax Act governing RRSPs the retirement income options available have been broadened to encompass the transfer of the proceeds of an RRSP into a Registered Retirement Income Fund (RRIF) in addition to the previous options of the purchase of a Life Annuity, or the purchase of a Fixed Term Annuity. Any of the above options may be exercised by the RRSP member at any time upon attaining age 60 and before the end of the year in which age 71 is attained. Payments received from a RRIF, which are available on a monthly or other periodic basis, become taxable income in the

year received, subject to the pension income deduction of up to \$1,000 annually.

Calvin Bullock Deferred Profit Sharing Plan

This flexible Plan utilizes the provisions of Section 147 of the Income Tax Act. This Section permits companies incorporated in Canada to make contributions to this Trusteed Plan, on a voluntary basis. Yearly contributions of up to \$3,500 per employee are considered a corporate expense for tax purposes and are not added to the individual employee's income.

Individual employees may still make contributions of up to \$5,500 annually to their personal Retirement Savings Plan resulting in possible annual tax-sheltered savings of \$9,000 per individual.

CIF Systematic Withdrawal Plan

This Plan is designed for the investor who wishes to make a lump sum purchase of shares and later withdraw fixed amounts at monthly or quarterly intervals. The amounts withdrawn are derived from dividend income to the extent this source is sufficient; where it is not enough, some shares are sold to make up the difference.

Reduced Sales Charges

There are several ways in which sales charges to investors may be reduced. For instance, you can sign a letter of intent indicating that, over a thirteen-month period, you wish to invest a total of \$10,000, \$50,000 or \$100,000 or more. In addition, your current investment in the Company as well as in other Funds distributed by Calvin Bullock may qualify you for lower sales charges.

Exchange Privilege

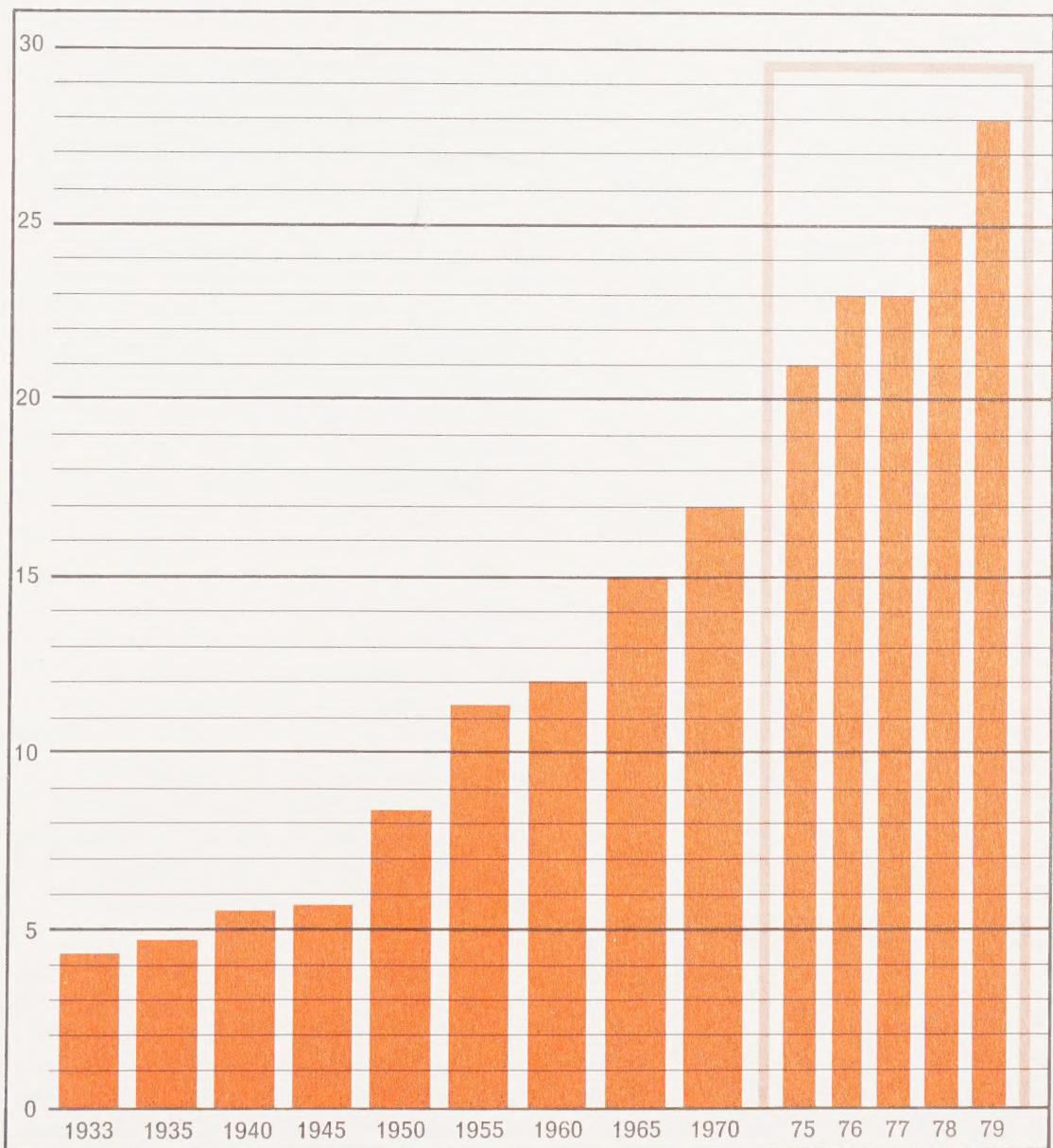
Exchanges of funds in the Bullock group in Canada may be made without a sales charge. Minimum holding is \$500.

Dividends

Dividends paid in 1979 totalled 28 cents per share. Details of the make-up and Canadian tax status of this 28 cents are given on page 20. The chart below shows the substantial growth in dividends paid by the Fund since its inception.

By the end of 1979 total dividends paid by CIF since inception in 1932 exceeded \$165 million.

Dividends in cents per share



1979 in Review

Last year could either have been considered very satisfactory to Canadians or unsatisfactory, depending on where one lived or in what industry one was employed. This divergence of trends within the economy was well reflected within the stock market, as alluded to in the Letter to Shareholders earlier in this report.

Overall economic growth was 2.3% as measured by the Gross National Product in constant dollars. Canada's resource industries experienced a high level of activity. The backbone of Canada's economy, the petroleum, mining, forest products, agriculture and fishing and transportation industries almost without exception operated at capacity.

Manufacturing generally fared well, with the important auto industry showing some signs of weakness toward year-end. Those industries depending on credit, such as housing and retail merchandising had a poor year. Higher interest rates combined with inflation that generally equalled or exceeded wage increases, kept the consumer on the sidelines in the latter part of the year, following a massive increase in consumer credit earlier on.

Monetary policy has officially been directed toward protection of the exchange value of the dollar and containment of inflation through maintenance of a high interest rate structure. During 1979 Bank Rate was raised five times from 10.75% to 14.0%.

Almost three-quarters of Canada's foreign trade is conducted with the United States. It is thus important not to have too high an exchange rate

vis-a-vis the U.S. or indeed other countries in order to maintain our competitive position in that market and abroad, nor too low a rate so as to make our essential imports from the U.S. and abroad more expensive and thus increase inflation. The Bank's policy has been successful in maintaining the dollar near U.S. 85¢; the Consumer Price Index has stabilized around a 9% annual rise, and Canadian exporters have experienced an active and profitable year.

Whether the money supply growth is being contained satisfactorily is questionable. The narrowly defined money supply rose only 2% in 1979. However, the broader measure which contains currency demand and term deposits as well rose by more than 17%.

Throughout the year the absolute number of unemployed in Canada in each month was less than the same month in 1978, the opposite of the previous year when it was higher in each month. When final figures are available, the seasonally adjusted unemployment rate will probably have averaged 7.5% of the labour force for the year, or about 1% lower than in 1978; meanwhile the number of employed grew.

On balance, in spite of inflation and concern over international instability which are problems shared by almost all other nations, Canada generally experienced a good year in 1979.

Outlook

As this report is being written, both Canada and the U.S. are facing elections, Russia has entered Afghanistan, inflation and interest rates show little inclination to decline, oil prices have risen sharply and North American stock markets are surging, with Canadian markets making new highs.

Given the present circumstances, it is difficult to forecast short-term economic and political developments; however, problems of this sort often beget changes which in turn beget opportunities for investors. Make no mistake that the OPEC wealth grab is the biggest shift of economic assets in the world's history, one that eclipses any past colonial adventuring in its sheer daring and scope. Clearly the time has passed when the West's response can take the form of a test of military superiority, nor should it. The oil producers are simply following the age-old laws of supply and demand, as do corporations or labour in consuming countries; they raise the price of their scarce products or services to seek optimum economic returns to themselves.

Our collective response can be twofold. We can reduce energy consumption and living standards and allow ourselves to be economically held hostage for the foreseeable future, or we can mobilize our enormous technological strengths and capital resources and get on with the job of preserving our economic and, possibly, political freedom. This task has already begun.

Canada has made considerable progress since 1975 in seeking and finding new domestic sources of energy, as witness the expansion of our natural gas reserves. This has been accomplished in a spirit of cooperation

between the federal and provincial governments, following an earlier period of unproductive argumentation over royalty and taxation rights. We hope and believe these arrangements will continue to remain in place — any idiosyncratically inspired tinkering with the sharing of the economic benefits would be against the interest of all Canadians.

In the United States, price deregulation is beginning to take effect. Petroleum companies are planning massive capital investments in U.S. oil and gas exploration for 1980. We have no doubt they will succeed, as Canada has, in finding additional resources. Dollars that were previously spent offshore for goods and services will be spent in the U.S. and Canada; cities such as St. John's, Newfoundland, already are feeling the effects.

Until we regain control of our energy sources, it is not likely that we will be able to control inflation in a satisfactory way, and we do not foresee a return to low rates of inflation for some time.

Perhaps equity ownership is once again becoming regarded as a means to combat inflation, with underlying earnings and dividends rising over time to keep pace. Certainly long-term bonds have failed in that role in recent years, while other investments such as gold or collectibles do not provide the liquidity required for substantial institutional type investment.

In short, allowing for normal cyclical setbacks occasioned by political threat and exuberant speculation, it appears we have stock markets that will continue to provide satisfactory returns in selected areas, particularly those which are energy related.

Statement of Net Assets — December 31, 1979

Assets	1979	1978
Investments at market value (average cost —		
1979 — \$56,917,357, 1978 — \$64,037,797)	\$ 98,063,659	\$ 98,379,589
Cash on deposit, demand	12,296,794	10,137,570
Interest accrued and dividends receivable	823,108	816,100
Receivable in respect of securities sold	—	607,999
Due by subscriber to capital stock	21,485	21,305
Total assets	111,205,046	109,962,563

Liabilities

Payable in respect of securities purchased	145,195	392,240
Payable for special shares of capital stock		
redeemed or purchased for cancellation	218,984	178,405
Management and directors' compensation payable	218,799	186,880
Accrued expenses and sundry accounts payable	5,418	4,869
Income taxes payable	49,373	92,249
United States withholding tax	923	1,653
Total liabilities	638,692	856,296
Net assets at market value	\$110,566,354	\$109,106,267
Net asset value per share	\$5.73	\$4.97

Shareholders' Equity

Capital stock:

Special shares of 33 $\frac{1}{3}$ cents each (redeemable on demand by the holders at liquidating value as provided in the Letters Patent of the Company) —

Authorized —

105,000,000 shares of which 68,956,289 (1978 — 65,509,411) have been redeemed or purchased for cancellation from inception

Outstanding —

19,288,546 shares (1978 — 21,942,546 shares) \$ 6,429,516 \$ 7,314,182

Ordinary shares —

Authorized and outstanding —

3,000 shares of 33 $\frac{1}{3}$ cents each

Total capital stock	1,000	1,000
Surplus, per statements annexed	6,430,516	7,315,182
Unrealized appreciation of investments	62,989,536	67,449,293
Shareholders' equity as per net assets above	41,146,302	34,341,792

Approved by the Board:

(Signed) ARNOLD HART, Director

(Signed) ALAN CHIPPINDALE, Director

Canadian Investment Fund, Ltd.

Statement of Income Account for the Year Ended December 31, 1979

Income	1979	1978
Dividends	\$5,083,866	\$5,222,933
Interest on cash deposits	1,486,594	946,366
Bond interest	121,914	108,800
	6,692,374	6,278,099
Expenses		
Management fees	806,849	654,551
Transfer and dividend paying agent's fees	112,232	63,111
Custodian's fees	18,544	18,166
General expenses	98,955	92,270
Audit fees	11,500	11,500
Taxes, other than income taxes	15,543	4,085
Legal fees and expenses	13,069	14,501
Directors' compensation	85,500	83,375
	1,162,192	941,559
Net income before income and withholding taxes	5,530,182	5,336,540
United States withholding and Canadian income taxes paid and provided for	297,180	230,572
Net income, exclusive of profit or loss from sales of securities	\$5,232,993	\$5,105,968
Net income per share based on the average number of shares outstanding during the year	25.6¢	21.6¢

Statement of Distribution Account for the Year Ended December 31, 1979

	1979	1978
Balance of distribution account at beginning of year	\$1,597,151	\$1,596,942
Balance of income account, per statement annexed	5,232,993	5,105,968
Received on subscriptions to capital stock to equalize the per share amount available for distribution on the then outstanding shares (dividends declared are first chargeable against this amount) as provided by resolutions of the Board of Directors	47,293	36,909
	6,817,745	6,739,819

Deduct

Dividends paid —		
Special shares	4,691,634	4,968,641
Ordinary shares	690	630
Amounts included in prices of special shares redeemed or purchased for cancellation, equal to the per share portion of income and distribution accounts	275,187	233,089
	4,967,511	5,202,360
Balance of distribution account at end of year	\$1,850,234	\$1,537,459
Included in paid-in surplus, per statement annexed	\$ 10,386	\$ 4,620
Included in earned surplus, per statement annexed	1,639,848	1,532,839
	\$1,850,234	\$1,537,459

Canadian Investment Fund, Ltd.

Statement of Paid-In Surplus Account for the Year Ended December 31, 1979

	1979	1978
Balance at beginning of year	\$ —	\$ 3,491,351
Less: Included in beginning balance of distribution account	4,620	4,469
	<u>(4,620)</u>	3,486,882
Proceeds from special shares subscribed for during year, not including portion of subscription price credited to distribution account	4,116,475	3,453,198
Less: Par value thereof	264,293	260,938
	<u>3,852,182</u>	3,192,260
	<u>3,847,562</u>	6,679,142
Deduct: Consideration paid on redemption or purchase for cancellation of special shares during year, not including amount charged to distribution account	18,223,223	16,789,271
Less: Par value thereof	1,148,959	1,218,298
	<u>17,074,264</u>	15,570,973
Less: Portion charged to earned surplus	13,216,316	8,887,211
	<u>3,857,948</u>	6,683,762
	<u>(10,386)</u>	(4,620)
Portion of subscription price included in balance of distribution account	10,386	4,620
Balance of paid-in surplus at end of year	\$ —	\$ —

Statement of Earned Surplus Account for the Year Ended December 31, 1979

	1979	1978
Realized profits from sales of securities:		
Balance at beginning of year	\$65,916,454	\$70,350,186
Realized profits during year	9,536,567	5,442,880
	<u>75,453,021</u>	75,793,066
Deduct		
"Capital gains dividend" —		
Special shares	1,086,867	—
Ordinary shares	150	—
"1971 Capital surplus dividend" —		
Special shares	—	989,281
Ordinary shares	—	120
	<u>1,087,017</u>	989,401
Portion of consideration paid on redemption or purchase for cancellation of special shares during the year	13,216,316	8,887,211
	<u>14,303,333</u>	9,876,612
Balance at end of year	61,149,688	65,916,454
Portion of balance of distribution account at end of year, per statement annexed	1,839,848	1,532,839
Balance of earned surplus at end of year	\$62,989,536	\$67,449,293

Canadian Investment Fund, Ltd.

Statement of Changes in Net Assets for the Year Ended December 31, 1979

	1979	1978
Net assets at beginning of year	\$107,854,699	
Add (deduct) changes during year:		
Net investment income	5,232,993	5,105,968
Realized profits from sales of securities	9,536,567	5,442,880
Increase in unrealized appreciation of investments	6,804,510	10,193,645
Proceeds from subscriptions to special shares	4,163,768	3,490,107
Consideration paid on redemption or purchase for cancellation of special shares	(18,498,410)	(17,022,360)
Dividends declared on capital stock —		
From net investment income	(4,692,324)	(4,969,271)
From realized profits from sales of securities	(1,087,017)	—
From 1971 capital surplus on hand	—	(989,401)
	1,460,087	1,251,568
Net assets at end of year	\$109,116,367	\$109,116,367

	Per Share	
Net asset value at end of year	\$5.73	\$4.97
Net asset value at beginning of year	\$4.97	\$4.34
Distribution out of net investment income	\$0.23	\$0.21
Distribution out of realized profits from sales of securities —		
"Capital gains dividend"	\$0.05	—
"1971 Capital surplus on hand"	—	\$0.04

Statement of Changes in Investments for the Year Ended December 31, 1979

	1979	1978
Investments at average cost, at beginning of year	\$ 64,037,797	\$ 73,695,818
Add Cost of securities purchased	12,561,540	7,713,385
	76,599,337	81,409,203
Deduct		
Proceeds from sales of securities	29,218,547	22,814,286
Less: Profits from sales of securities	9,536,567	5,442,880
Cost of securities sold	19,681,980	17,371,406
Investments at average cost, at end of year	\$ 56,917,357	\$ 64,037,797

Canadian Investment Fund, Ltd.

Investments

As at December 31, 1979

COMMON STOCKS	Number of Shares	Average Cost	Market Value	Approx. Percent.*
Automotive				
Ford Motor Company of Canada, Limited	11,000	\$ 861,659	\$ 558,250	.50%
*General Motors Corporation	50,000	2,661,675	2,924,293	2.64
		3,523,334	3,482,543	3.14
Banks				
Bank of Montreal	200,000	2,414,340	5,000,000	4.52
The Bank of Nova Scotia	80,000	895,533	1,950,000	1.76
Canadian Imperial Bank of Commerce	100,000	1,304,159	2,562,500	2.32
The Royal Bank of Canada	100,000	1,329,289	4,237,500	3.83
The Toronto-Dominion Bank	50,000	820,444	1,206,250	1.09
		6,763,765	14,956,250	13.52
Non-Bank Financial				
IAC Limited	325,000	2,999,172	3,818,750	3.45
Building				
Canada Cement Lafarge Ltd.	50,000	679,670	625,000	.57
Business Equipment and Supplies				
*International Business Machines Corporation	40,000	2,372,502	3,010,344	2.72
Moore Corporation Limited	175,000	1,952,108	6,125,000	5.54
		4,324,610	9,135,344	8.26
Chemicals				
Canadian Industries Limited	22,000	437,596	566,500	.51
Food and Beverage				
John Labatt Limited "A"	80,000	2,130,762	1,770,000	1.60
Hiram Walker - Gooderham & Worts Limited "A"	150,000	1,469,323	8,325,000	7.53
		3,600,085	10,095,000	9.13
Heavy Industry				
Canron Inc. "A"	71,000	732,235	905,250	.82
Dominion Foundries and Steel, Limited "A"	20,000	391,601	700,000	.63
The Steel Company of Canada, Limited "A"	23,000	405,827	603,750	.55
		1,529,663	2,209,000	2.00
Mining				
Inco Limited	10,000	244,430	275,000	.25
Noranda Mines Limited	10,000	224,500	223,750	.20
Placer Development Limited	40,000	884,053	2,150,000	1.94
		1,352,983	2,648,750	2.39
Oil and Gas				
*Exxon Corporation	15,000	343,527	964,798	.87
Hudson's Bay Oil and Gas Company Limited	20,000	878,752	2,060,000	1.86
Imperial Oil Limited "A"	65,000	957,532	2,876,250	2.60
Interprovincial Pipe Line Limited	215,000	2,811,069	4,165,625	3.77
*Mobil Corporation	5,000	286,027	320,870	.29
PanCanadian Petroleum Limited	50,000	1,088,565	3,237,500	2.93
Shell Canada Limited	90,000	1,595,016	3,172,500	2.87
Texaco Canada Inc.	32,000	1,468,497	2,728,000	2.47
*Texaco Inc.	25,000	719,641	842,284	.76
		10,148,626	20,367,827	18.42

Canadian Investment Fund, Ltd.

Investments

As at December 31, 1979

	Number of Shares	Average Cost	Market Value	Approx. Percent
COMMON STOCKS (Continued)				
Public Utilities				
Bell Canada	125,000	2,628.588	2,562,500	2.32
British Columbia Telephone Company	80,500	984.465	1,368,500	1.24
Calgary Power Ltd. "A"	30,000	1,008.746	1,383,750	1.25
Canadian Utilities Limited	70,000	1,044.729	1,330,000	1.20
Inland Natural Gas Co. Ltd.	75,000	758.284	965,625	.87
Maritime Telegraph and Telephone Company, Limited	45,000	1,088.979	1,012,500	.92
The New Brunswick Telephone Company, Limited	58,500	1,156.971	1,243,125	1.12
Newfoundland Telephone Company Limited	25,000	278.991	262,500	.24
TransCanada PipeLines Limited	50,000	759.589	1,268,750	1.15
Union Gas Limited	200,000	2,139.810	2,350,000	2.13
	11,849,152		13,747,250	12.44
Pulp and Paper				
Consolidated-Bathurst Limited "A"	45,000	509.051	641,250	.60
*Crown Zellerbach Corporation	10,000	30,904	507,558	.46
MacMillan Bloedel Limited	40,000	923.512	1,080,000	.98
	1,463,467		2,228,808	2.04
Retail Trade				
Canadian Tire Corporation, Limited "A"	25,000	934.154	668,750	.60
Dominion Stores Limited	30,000	455.577	607,500	.55
*K Mart Corporation	12,000	435.955	332,537	.30
Woodward Stores Limited "A"	30,000	471.561	705,000	.64
	2,297,247		2,313,787	2.09
Miscellaneous				
Canadian Pacific Limited	190,000	2,827.610	7,457,500	6.74
Imasco Limited	70,000	1,687.417	3,010,000	2.72
	4,515,027		10,467,500	9.46
Total common stocks			55,484,397	96,662,309
BONDS		Principal Amount		
Government of Canada, 7 1/2% February 1, 1980	\$500,000	498,000	497,425	.45
Government of Canada, 7 1/2% June 1, 1980	500,000	497,500	488,500	.44
Government of Canada, 8 1/4% April 1, 1981	190,000	189,335	180,738	.17
Government of Canada, 9 3/4% February 1, 1984	250,000	248,125	234,687	.21
Total Bonds		1,432,960	1,401,350	1.27
Total Investments		\$56,917,357	98,063,659	88.69
CASH AND OTHER ASSETS, NET			12,502,695	11.31
Total Net Assets			\$110,566,354	100.00%

*Market values of United States securities and of bonds payable in U.S. funds are expressed in Canadian funds at the rate of exchange prevailing at the year-end, 16.68%, premium on U.S. funds.

*Approximate percentage of total net assets of \$110,566,353.66 with investments valued at market quotations.

Canadian Investment Fund, Ltd.

Notes to the Financial Statements December 31, 1979

1. Significant accounting policies:

Investments —

Investments are recorded at market values established by the published last sales prices on national securities exchanges at the year-end or, in the absence of recorded sales, at the average of available closing bid and asked prices on such exchanges or over-the-counter.

Investment transactions are accounted for on the trade date, and realized gains and losses resulting from such transactions are calculated on an average cost basis.

Income recognition —

Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

Foreign exchange —

The market value of investments and other assets and liabilities expressed in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year-end. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

2. The number of special shares issued and redeemed or purchased for cancellation is as follows:

	1979	1978
Outstanding at beginning of year	21,942,546	24,814,625
Increase (decrease) during the year:		
Issued	792 878	782 816
Redeemed or purchased for cancellation	(3 446 878)	(3 654 895)
Outstanding at end of year	19 288 546	21 942 546

3. There are ten directors (1978 — ten) and seven officers (1978 — seven) of the Company. Two of the officers are directors. The nine directors (1978 — nine) who are remunerated received \$85,500 (1978 — \$83,375). None of the officers received remuneration in their capacity as officers of the Company.

Canadian Investment Fund, Ltd.

Notes to the Financial Statements December 31, 1979 (Continued)

4. Under the Income Tax Act of Canada, the Company is classified as a mutual fund corporation; it also qualifies as an investment corporation and, as such, enjoys the preferential tax treatment afforded such corporations. The Company receives dividends from taxable Canadian corporations tax free. The tax paid by the Company on capital gains will be fully refunded upon the payment to shareholders of such gains in the form of capital gains dividends. The tax on all other income of the Company, excluding dividends from taxable Canadian corporations, is not refundable.

5. The total commission paid to dealers in connection with investment portfolio transactions for the year ended December 31, 1979 amounted to \$251,943.

6. The Fund manager supervises and assists in the management of the investing and reinvesting of the capital of the Company in accordance with the terms of an investment supervision agreement. In consideration for such services, the agreement provides that the Fund manager is entitled to receive quarterly on the first day of March, June, September and December in each year a fee based on the average net assets under administration during the quarterly periods ended on such dates and calculated as follows:

(i) 0.75% per annum on net assets up to \$100,000,000; and

(ii) 0.50% per annum on net assets in excess of \$100,000,000.

7. Management fees and other expenses, excluding taxes, expressed as a percentage of average net assets (determined on the basis of the average of the net assets at the end of each month in the relevant financial year) are as follows:

	1979	1978
Average net assets	\$111,542,114	\$108,618,412
Management fees and other expenses	\$ 1,146,649	\$ 937,473
Management expense ratio	1.03%	0.86%

Canadian Investment Fund, Ltd.

Notes to the Financial Statements December 31, 1979 (Continued)

8. A statement of portfolio transactions (unaudited) for the year ended December 31, 1979 will be provided without charge by writing to:

Canadian Investment Fund, Ltd.
630 Dorchester Boulevard West
Suite 2960
Montréal, Québec
H3B 1X1

9. Certain changes in the form and content of the financial statements have been made to comply with The Securities Act, 1978 (Ontario) which was proclaimed in force from September 15, 1979.

Auditors' Report



1200 McGill Avenue
Montréal, Quebec H3B 2G4
(514) 879-9050 Telex 05-268714

January 4, 1980

To the Shareholders of
Canadian Investment Fund, Ltd.:

We have examined the statements of net assets and of investments of Canadian Investment Fund, Ltd., as at December 31, 1979 and the statements of income, paid-in surplus, earned surplus and distribution accounts for the year then ended. We have also examined the statements of changes in net assets and in investments. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in net assets and in investments for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

Canadian Federal Income Tax Information

The Company has already sent to each shareholder a Federal income tax form T-5 (NR-4 in the case of non-resident shareholders) which sets forth the total amount of taxable dividends.

The table below shows the treatment for Canadian Federal income tax purposes of the per share dividends received from the Company during the calendar year 1979.

Dividend Payment Date	Total	Taxable as	
		Canadian Dividend Income	Canadian Capital Gains
February 1	3¢	3¢	
February 23	5		5¢
May 1	4	4	
August 1	4	4	
November 1	12	12	
	28¢	23¢	5¢

Capital Gains Dividend

The dividend of 5¢ per share paid on February 23, 1979 was a capital gains dividend payable in cash or invested in additional shares at net asset value at the option of shareholders. Regardless of whether this February 23 dividend was paid in cash or invested in additional shares, Canadian taxpayers should include only half of the amount received in their income as a taxable capital gain. Shareholders who elected to invest this capital gains dividend in shares of the Company should use \$5,044,362 as the basis of cost for each share received.

Other Taxable Dividends

The other dividends paid in 1979 totalling 23¢ per share represent income from ordinary dividends as shown in the table above and these are to be treated as Dividends from Taxable Canadian Corporations. The "actual amount" of these dividends is clearly shown on the Canadian Federal income tax form T-5 as sent to shareholders resident in Canada. The next amount shown is the "taxable amount" which is the actual amount received "grossed up" by 50%. This is the amount that should be reported by Canadian taxpayers as income from this Company. Finally, the Federal tax credit is shown and this amount can be used as a credit against Canadian income tax otherwise payable. Non-residents continue to receive Federal tax form NR-4 which shows gross amount of dividends and non-resident tax withheld. The Capital Gains dividend is not shown on the NR-4 as no non-resident tax was withheld from that dividend which is not necessarily to be considered income, depending on the country in which the non-resident is filing his tax return.

Valuation Day

The official value of your Company's shares for Valuation Day purposes is \$4.70 per share which was the net asset value per share at the close of business December 31, 1971.

In cases of non-residents of Canada an appropriate deduction has been made from the amount of the dividend in accordance with the provision of the Income Tax Act of Canada.

We recommend That Shareholders Preserve This Notice Carefully.

Long-Term Record

An Assumed Investment of \$10,000

Shareholders may find it interesting to review this chart which reflects the growth of an investment of \$10,000 made at CIF's initial offering price in December 1932. These figures make no provision for income taxes, if any, payable by the investor on dividends. Anyone interested in the long-term benefit accruing from an investment in a mutual fund such as CIF, will note both the steady growth in the value of the original investment, as well as the minor amount of any fluctuations, over the 47 year period.

